



BAJA LNG

**HOW CALIFORNIA CONSUMERS CAN MAKE
BEST USE OF A NEW NATURAL GAS SOURCE**

**CPUC / CEC NAT GAS MARKET WORKSHOP
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**Kent F. Hampton
Marathon Oil Company**

Goal 1: More diversity of fuel supplies

A *diversified* gas supply portfolio would reduce exposure to price volatility, and would increase reliability throughout the Southwest.

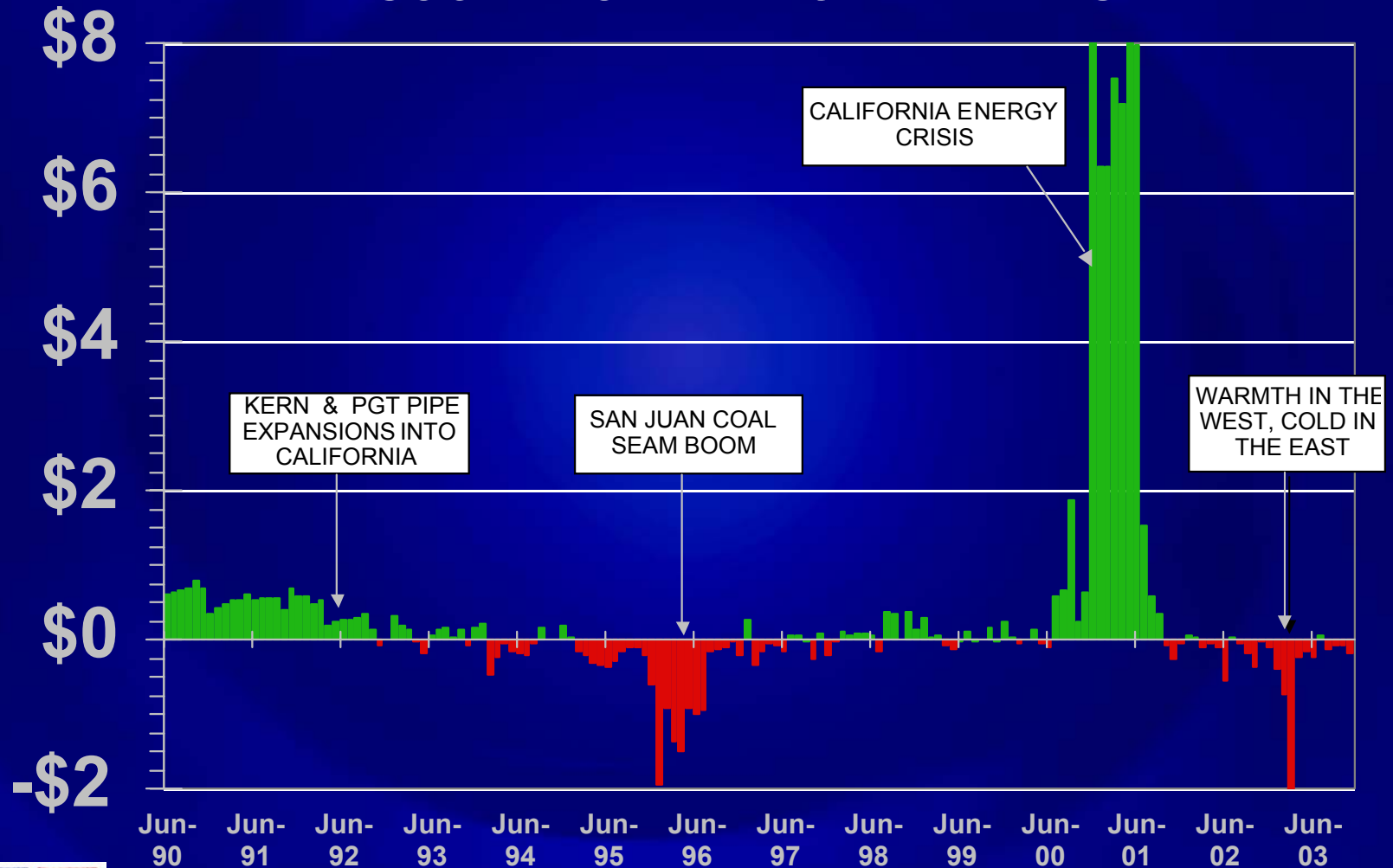


LNG



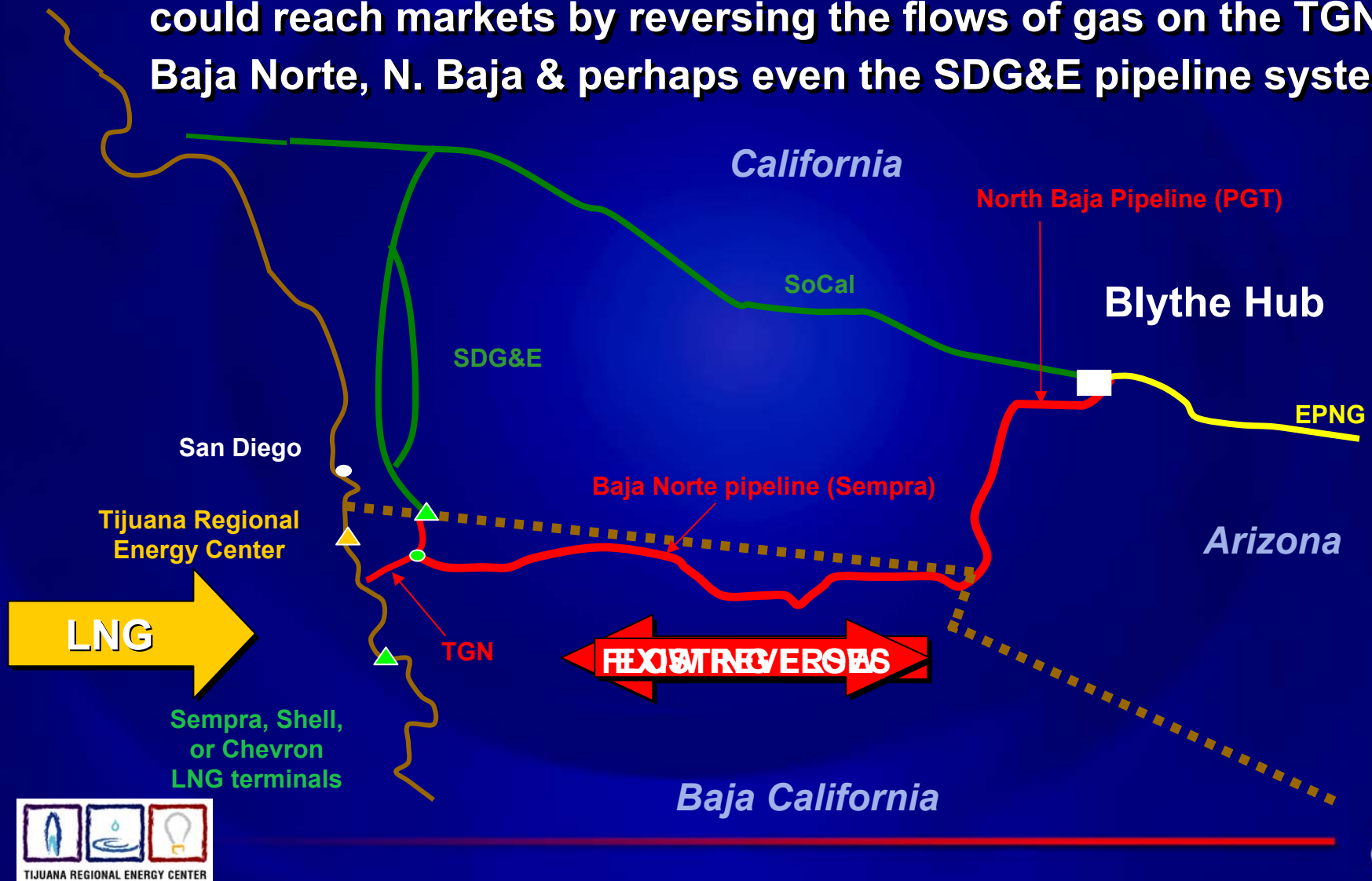
SoCal Basis has been as volatile as Henry Hub

SOCAL BORDER vs. HENRY HU



Goal 2: “Reuse” existing gas pipelines

Baja is already connected to the North American gas grid. LNG could reach markets by reversing the flows of gas on the TGN, Baja Norte, N. Baja & perhaps even the SDG&E pipeline systems.



Goal 3: Promote market liquidity -

- **SW gas buyers are unlikely to want to commit to terms matching typical upstream supply obligations (20+ yrs);**
- **A large, centralized trading hub would help offset this mismatch of terms, by providing LNG suppliers with access to *many* alternate buyers;**
- **A single LA city gate trading hub (*as opposed to 5 - 6 separate receipt points at the periphery of the SoCal system*) would focus liquidity at one, central point;**
- **Gas suppliers should be permitted to lease SoCal & SDG&E pipeline capacity into that central trading hub;**
- **Gas consumers could then shorten their gas transport paths, & reduce their delivered gas costs.**

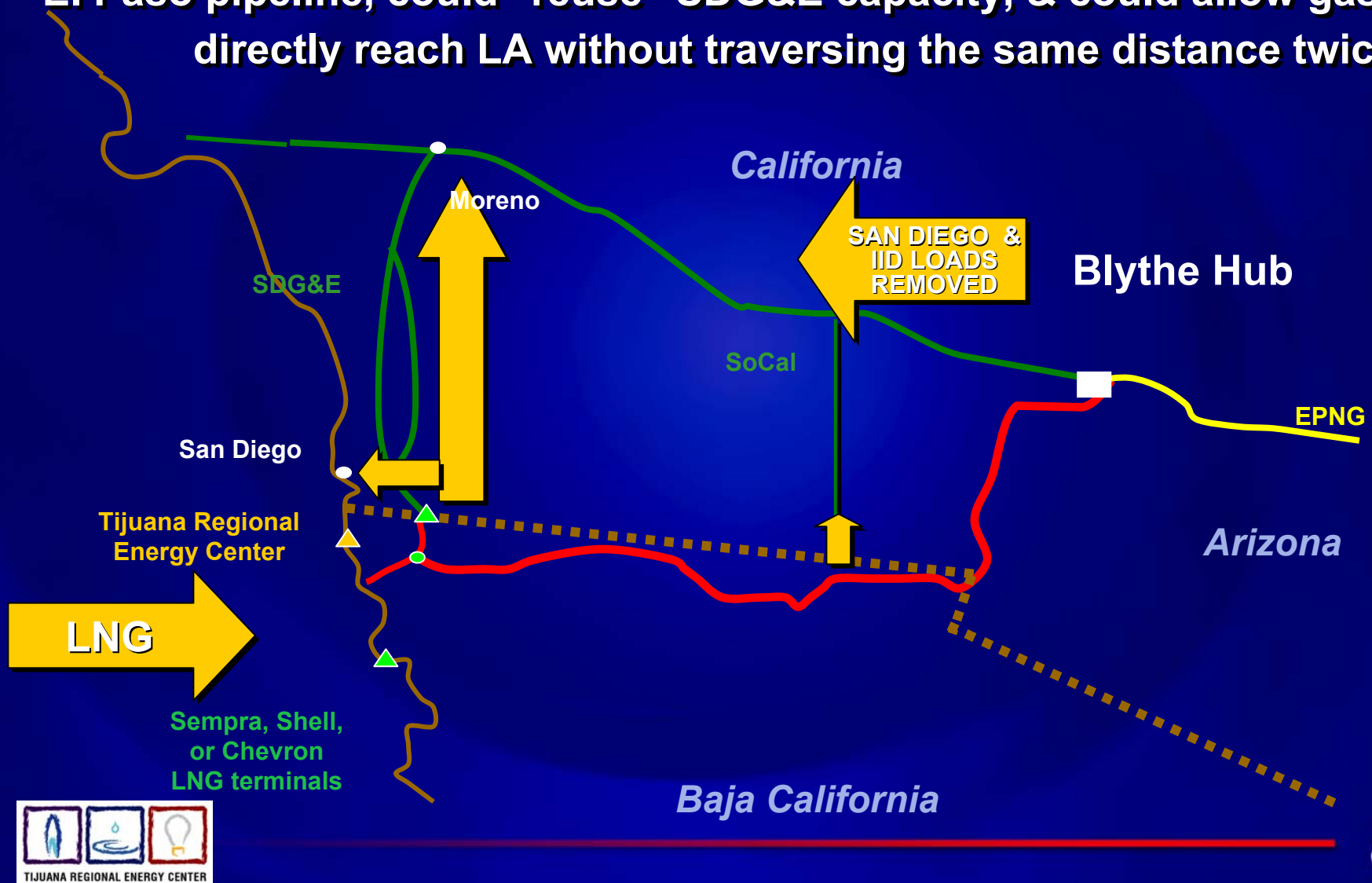
LNG suppliers need market access-

To avoid being stranded on the beach, LNG suppliers need firm pipeline transport to a liquid trading hub. Creating path-specific flow rights would allow a new, centralized hub to emerge at the LA city gate.



Benefits to California — 1

Transporting LNG north thru Otay Mesa could reduce dependence on El Paso pipeline, could “reuse” SDG&E capacity, & could allow gas to directly reach LA without traversing the same distance twice.



Benefits to California — 2

New Palo Verde, Az. area generators will provide California with needed power. But, they may also divert natural gas supplies that would otherwise reach California.

LNG can fill this potential supply void.



Conclusions-

- New LNG supplies can provide more supply diversity & enhance competition;
- Existing pipeline infrastructure can be “reused” & upgraded, provided that LNG shippers are not excluded from securing firm access on the SDG&E & SoCal pipeline systems;
- The creation of a Los Angeles “city gate” trading hub (*like Chicago, NYC, & San Francisco*) would promote gas transportation efficiencies;
- Consumers will benefit from enhanced competition, lower prices, lower transport costs, & more diversity of sources;
- LNG provides the added advantages of market-area storage services, & enhanced power generation efficiencies.



Tijuana Regional Energy Center
A Win-Win for the Environment, Economy and Community